

Rep. Melancon's Testimony before a subcommittee of the House Financial Services Committee at a hearing on H.R. 920, the Multi Peril Insurance Act of 2007

Madam Chairwoman,

In August of 2005, America watched as Katrina destroyed over 200,000 homes in Southeast Louisiana, and then saw even more destruction just a few weeks later as Hurricane Rita ripped apart Southwest Louisiana and took with it almost 25,000 more homes.

After the Gulf Coast suffered through two of the worst natural disasters in this country's history, our people were forced through the indignity of another battle with their insurance companies. Private homeowner's insurance policies covered damage caused by wind, but not damage from flooding or storm surge. Because it can be difficult to prove whether the winds or the water from a hurricane caused a home's damage, many Katrina and Rita victims found that their insurance companies denied or low-balled their claims, leaving them to rely solely on payouts from the National Flood Insurance Program, which had to make outrageously high payments at taxpayer expense. Thousands of homeowners took their insurance companies to court before they got the insurance payouts they were owed from years of faithfully paying their homeowner's premiums. Today, almost two years after the storms, some are still waiting for a check so they can rebuild their homes.

At the same time, insurance companies have been hastily pulling out of coastal areas like south Louisiana, canceling policies and refusing to write new ones. More and more people in south Louisiana are being forced to turn to Louisiana's state-sponsored insurer of last resort for homeowner's insurance, paying premiums that are above market rates. While Louisiana's strong consumer protection laws protect many homeowners who have had insurance policies for at least three years from being dropped by their insurance companies, they are by no means the lucky ones. Even those who did not file claims after the 2005 hurricanes are now being hit with skyrocketing premium increases, often as much as two or three times what they paid before the storms.

The district in Louisiana I represent is almost entirely in the hard-to-insure part of the state, and every day I get calls, emails and letters from constituents begging Congress to do something about the insurance crisis in south Louisiana. Here is just a sampling of the them [HOLD UP LETTERS].

Roy Barrios of Lafourche Parish wrote me saying that Allstate recently cancelled his homeowner's insurance policy and he now will have to pay three times as much for coverage from Louisiana's insurer of last resort. He was only two months shy of being covered by Louisiana's consumer protection laws that would have kept his policy from being cancelled, although he noted that Allstate is still happy to renew his more-profitable car insurance policy.

Similarly, Todd Ramirez of Thibodaux, Louisiana, told me his annual premium increased in one year from \$1188 to \$4165 ó almost 300%.

Jeanette Tanguis of Houma, Louisiana, said her premium increased \$200 PER MONTH. In a letter to me she wrote, "Having spent most of my life living in Terrebonne Parish, it never occurred to me that I would be forced to move from the place I love and have called home for most my life. Unfortunately, my family and I are being forced to make this sad decision." These are only a few of the many stories I hear from people who are being forced to leave their homes and communities.

We in Congress must act quickly to solve this insurance crisis so that middle class families ó the backbone of our economy ó can continue to afford to live in coastal communities. Multi-peril insurance, like that proposed in Mr. Taylor's bill, would go a long way in addressing some of the insurance problems highlighted by Katrina and Rita.

By bundling wind and water coverage into one plan, multi-peril insurance would cover home damaged by hurricanes, regardless of whether winds or flooding caused the damage. Not only will this provide homeowners with peace of mind, it will indirectly save them money because they will be able to avoid costly and time-consuming legal battles like those waged after Katrina and Rita, when many homeowners had to hire lawyers and engineers for independent assessments. A multi-peril insurance policy will also create more efficiency in adjusting claims, and homeowners will receive their payments much faster than under the current two-policy system.

Finally, a multi perils homeowner's insurance program will reign in insurance premium costs because rates would be required to be actuarially sound. Also, a multi-peril NFIP can make premiums in coastal communities manageable by spreading risk among a much larger pool of policyholders. With over 50% of Americans living within 50 miles of the coast, a national multi-peril insurance program would have plenty of prospective customers.

It is time to recognize that market failures exist. The federal government recognized this reality when it created crop insurance, which now supports a healthy domestic agricultural industry that can feed American families. The inability of private insurance markets to handle catastrophic losses became evident after Katrina and Rita, and the sharp decline in the availability of affordable homeowners insurance is crushing our rebuilding efforts along the Gulf Coast.

I thank Mr. Taylor for leading the fight to reform homeowners insurance and end the wind vs. water debate once and for all. Families in coastal communities deserve to have the assurance that when they take the responsible action of insuring their home, they will be able to rebuild if a disaster strikes.